Economics

THE WEEK AHEAD

April 13 - 17, 2026

The Efficiency Paradox

by **Benjamin Tal** benjamin.tal@cibc.com

Although we are now in a two-week ceasefire, the situation remains unresolved. We are still in an oil shock. Historically, oil shocks have preceded recessions: the 1973 OPEC oil embargo led to a severe downturn, the early 1980s double-dip recession was triggered by an oil shock, the 1991 recession followed a similar pattern, and even the 2008 financial crisis came after a substantial rise in oil prices. However, it was not the oil shocks themselves that directly caused these recessions; rather, it was the central banks' responses — tightening monetary policy to counteract the inflationary effects of supply disruptions — that caused/triggered those economic downturns.

Today, central banks' responses will depend on the severity of the shock, which is a function of four factors: the state of the oil market at the onset of the crisis, the health of the economy, the magnitude of the shock, and its duration. This crisis found the energy market in a relatively balanced position, which is helping to ease some of the impact. Nevertheless, both the U.S. and Canadian economies were already exhibiting signs of weakness prior to the crisis. The more than 50% increase in oil prices since late February is substantial by any measure. The duration of this shock remains uncertain, but even if the conflict were to end tomorrow — which is unlikely — it would take weeks or months for oil flows to normalize and much longer for the natural gas market to return to equilibrium. By all accounts, we are in the midst of a significant oil shock.

There are numerous rules of thumb for estimating the effects of higher oil prices on economic growth and inflation (such as a X% rise in oil prices leading to Y% decrease in GDP growth and Z% increase in inflation). We view these rules with skepticism, as the four key factors outlined above have varied considerably across previous shocks. Additionally, the Canadian energy sector is now smaller than in past episodes, while the U.S. energy sector has expanded.

Another important consideration is the "green" push of the past two decades, which has led to notable improvements in energy efficiency. In theory, this should provide greater resilience against oil shocks. However, the reality is more complex. Energy efficiency is not the ultimate goal — reducing total energy consumption is. Despite substantial gains in efficiency, overall energy usage has not declined as much as expected. While energy use per unit of U.S. GDP has dropped by over 30% in the past twenty years, total energy consumption has not decreased, and per capita energy use has only fallen at half the pace of efficiency improvements. This is the efficiency paradox also known as the Jevons effect: as energy efficiency improves and the effective cost of energy falls, substitution and income effects might lead to increased consumption.

The transportation sector, which accounts for nearly 30% of end-use energy consumption in the U.S., is a good example of the paradox. Over the past 15 years, fuel economy for cars and trucks has improved by about 10%-15%, and for airplanes by nearly 20% — thanks to technological advancements and stricter standards. Yet, total energy consumption in transportation has scarcely changed, largely because Americans continue to favor larger vehicles, vehicle miles traveled have increased, and air travel has grown steadily, offsetting the gains from efficiency.

The same goes for the residential sector that is responsible for roughly 20% of end-use energy consumption. In the past 15 years, furnaces, air conditioning units, washers, and refrigerators have all become markedly more efficient (with refrigerators now 20% more efficient). Still, overall household energy consumption has changed little, as larger homes and more/larger appliances have offset the efficiency gains.

The bottom line: beware of simplistic rules of thumb — not all oil shocks are created equal. Policymakers and consumers alike should not expect the energy efficiency gains of recent decades to shield them from the current oil shock. The efficiency paradox means that, efficiently, Americans continue to consume plenty of energy.

Week Ahead Calendar And Forecast—Canada

H, M, L = High, Medium or Low Priority

SAAR = Seasonally Adjusted Annual Rate

Consensus Source: Bloomberg

Date	Time	Economic Releases, Auctions and Speakers	Month	Priority	CIBC	Consensus	Prior
Monday, April 13	8:30 AM	BUILDING PERMITS M/M	(Feb)	(M)	-	-	4.8%
Tuesday, April 14	-	-	-	-	-	-	-
Wednesday, April 15	-	AUCTION: 30-YR CANADAS $3B	-	-	-	-	-
Wednesday, April 15	8:30 AM	MANUFACTURING SHIPMENTS M/M	(Feb)	(M)	3.5%	3.8%	-3.0%
Wednesday, April 15	8:30 AM	WHOLESALE SALES EX-PETROLEUM M/M	(Feb)	(M)	2.5%	-	-1.0%
Thursday, April 16	-	AUCTION: 2-YR CANADAS $5.5B	-	-	-	-	-
Thursday, April 16	5:00 AM	EXISTING HOME SALES M/M	(Mar)	(M)	-	-	-1.3%
Friday, April 17	8:15 AM	HOUSING STARTS SAAR	(Mar)	(M)	240.0K	250.0K	250.9K
Friday, April 17	8:30 AM	INT'L. SEC. TRANSACTIONS	(Feb)	(M)	-	-	$46.7B

Week Ahead Calendar And Forecast—United States

H, M, L = High, Medium or Low Priority

SAAR = Seasonally Adjusted Annual Rate

Consensus Source: Bloomberg

Date	Time	Economic Releases, Auctions and Speakers	Month	Priority	CIBC	Consensus	Prior
Monday, April 13	8:30 AM	EXISTING HOME SALES SAAR	(Mar)	(M)	-	4.1M	4.1M
Monday, April 13	8:30 AM	EXISTING HOME SALES M/M	(Mar)	(M)	-	0.1%	1.7%
Monday, April 13	6:20 PM	Speaker: Stephen I. Miran (Governor) (Voter)	-	-	-	-	-
Tuesday, April 14	-	AUCTION: 1-YR TREASURIES $50B	-	-	-	-	-
Tuesday, April 14	8:30 AM	PPI M/M	(Mar)	(M)	1.0%	1.2%	0.7%
Tuesday, April 14	8:30 AM	PPI M/M (core)	(Mar)	(M)	0.4%	0.5%	0.5%
Tuesday, April 14	8:30 AM	PPI Y/Y	(Mar)	(M)	-	-	3.4%
Tuesday, April 14	8:30 AM	PPI Y/Y (core)	(Mar)	(M)	-	-	3.9%
Tuesday, April 14	12:15 PM	Speaker: Austan D. Goolsbee, Chicago (Non-Voter)	-	-	-	-	-
Tuesday, April 14	12:45 PM	Speaker: Michael S. Barr (Governor) (Voter)	-	-	-	-	-
Tuesday, April 14	1:00 PM	Speakers: Anna Paulson, Susan M. Collins, Thomas I. Barkin & Michael S. Barr	-	-	-	-	-
Wednesday, April 15	7:00 AM	MBA-APPLICATIONS	(Apr 10)	(L)	-	-	-0.8%
Wednesday, April 15	8:30 AM	NEW YORK FED (EMPIRE)	(Apr)	(M)	-	-	-0.2
Wednesday, April 15	8:30 AM	IMPORT PRICE INDEX M/M	(Mar)	(L)	-	-	1.3%
Wednesday, April 15	8:30 AM	EXPORT PRICE INDEX M/M	(Mar)	(L)	-	-	1.5%
Wednesday, April 15	10:00 AM	NAHB HOUSING INDEX	(Apr)	(L)	-	-	38
Wednesday, April 15	2:00 PM	FED'S BEIGE BOOK	-	-	-	-	-
Wednesday, April 15	4:00 PM	NET CAPITAL INFLOWS (TICS)	(Feb)	(L)	-	-	$15.5B
Wednesday, April 15	8:30 AM	Speaker: Michael S. Barr (Governor) (Voter)	-	-	-	-	-
Wednesday, April 15	1:45 PM	Speaker: Michelle W. Bowman (Governor) (Voter)	-	-	-	-	-
Thursday, April 16	8:30 AM	INITIAL CLAIMS	(Apr 11)	(M)	-	-	219K
Thursday, April 16	8:30 AM	CONTINUING CLAIMS	(Apr 4)	(L)	-	-	1794K
Thursday, April 16	8:30 AM	PHILADELPHIA FED BUSINESS OUTLOOK	(Apr)	(M)	-	-	18.1
Thursday, April 16	9:15 AM	INDUSTRIAL PRODUCTION M/M	(Mar)	(H)	-0.1%	0.1%	0.2%
Thursday, April 16	9:15 AM	CAPACITY UTILIZATION	(Mar)	(M)	76.2%	76.3%	76.3%
Thursday, April 16	8:35 AM	Speaker: John C. Williams (Vice Chairman, New York) (Voter)	-	-	-	-	-
Thursday, April 16	10:35 AM	Speaker: Stephen I. Miran (Governor) (Voter)	-	-	-	-	-
Friday, April 17	12:15 PM	Speaker: Thomas I. Barkin (Richmond) (Non-Voter)	-	-	-	-	-
Friday, April 17	2:00 PM	Speaker: Christopher J. Waller (Governor) (Voter)	-	-	-	-	-

Week Ahead's market call

by Katherine Judge and Andrew Grantham

In the **US**, all eyes will remain on the peace talks with Iran, and equity earnings reports will also come into focus. The economic data calendar is scarce, with PPI prices expected to mirror the jump seen in the CPI tied to higher energy costs, with core measures possibly showing more signs of passthrough into other components. Industrial production could drop off on a normalization in utilities production.

In **Canada**, manufacturing and wholesale data for February should confirm the sharp rebounds already signaled by the advance estimates. However, housing starts figures are likely to show building activity still tracking a lower level than the 2025 average.

There are no major Canadian data releases next week.

Week Ahead's key US number: Industrial production—March

(Thursday, 9:15 am)

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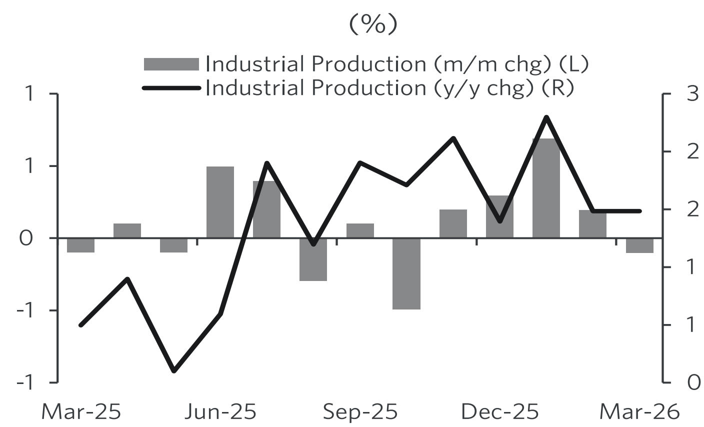
Variable (%)	CIBC	Mkt	Prior
Industrial production (m/m)	-0.1	0.1	0.2

Chart: US industrial production



Source: FRB, Haver Analytics, CIBC

Industrial production has been on an upswing for the past few months, led by rebounds in mining and manufacturing. However, the surge in energy input costs in March threatens to stall that trend, along with worries tied to war uncertainty, in line with comments seen in the ISM manufacturing survey for the month. Moreover, utilities production likely eased off further as temperatures normalized following atypically cold weather. All told, industrial production likely dropped off by 0.1%, leaving capacity utilization lower at 76.2%.

Forecast implications — While activity is likely to remain choppy in the near term, energy costs are expected to recede over the summer months, and production will likely rebound as inventories have been drained. Looking beyond any war-induced volatility, the trend towards increased tech investment and chip plant expansion is boosting production, while tariffs on primary metals may be benefitting production in that sector.

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